

time the initial loan for the system is made.

*Subscriber* means the same as access line.

*Survivor* means (1) the successor corporation formed by the consolidation of one or more borrowers, (2) the corporation remaining after completion of a merger involving one or more borrowers, and (3) a corporation assuming all or a portion of an RUS loan in connection with an acquisition.

*Telephone service* means any communication service for the transmission or reception of voice, data, sounds, signals, pictures, writing, or signs of all kinds by wire, fiber, radio, light, or other visual or electromagnetic means and includes all telephone lines, facilities and systems to render such service. It does not mean:

- (1) Message telegram service;
- (2) Community antenna television system services or facilities other than those intended exclusively for educational purposes; or
- (3) Radio broadcasting services or facilities within the meaning of section 3(c) of the Communications Act of 1934, as amended.

*Times Interest Earned Ratio* (TIER) means the ratio of a borrower's net income (after taxes) plus interest expense, all divided by interest expense. For the purpose of this calculation, all amounts will be annual figures and interest expense will include only interest on debt with a maturity greater than one year.

*Total assets* means the sum of the balances of the following accounts of the borrower:

Account names	Number
(1) Current assets .....	1100s through 1300s.
(2) Noncurrent Assets .....	1400s through 1500s.
(3) Total telecommunications plant.	2001 through 2007.
(4) Less: Accumulated depreciation.	3100 through 3300s.
(5) Less: Accumulated amortization.	3400 through 3600s.

Note: All references regarding account numbers are to the Uniform System of Accounts (47 CFR part 32).

[54 FR 13351, Apr. 3, 1989; 54 FR 16194, Apr. 21, 1989. Redesignated at 55 FR 39395, Sept. 27, 1990, as amended at 56 FR 26596, June 10, 1991; 58 FR 66253, Dec. 20, 1993; 62 FR 46869, Sept. 5, 1997]

### § 1735.3 Availability of forms.

Single copies of RUS forms and publications cited in this part are available from Program Support Regulatory Analysis, Rural Utilities Service, STOP 1522, 1400 Independence Ave., SW., Washington, DC 20250-1522. These RUS forms and publications may be reproduced. The terms "RUS form", "RUS standard form", and "RUS specification" have the same meanings as the terms "REA form", "REA standard form", and "REA specification", respectively, unless otherwise indicated.

[54 FR 13351, Apr. 3, 1989. Redesignated at 55 FR 39395, Sept. 27, 1990, and amended at 59 FR 66441, Dec. 27, 1994; 62 FR 46870, Sept. 5, 1997]

### §§ 1735.4–1735.9 [Reserved]

## Subpart B—Loan Purposes and Basic Policies

SOURCE: 54 FR 13351, Apr. 3, 1989, unless otherwise noted. Redesignated at 55 FR 39395, Sept. 27, 1990.

### § 1735.10 General.

(a) The Rural Utilities Service (RUS) makes loans to furnish and improve telephone service in rural areas. Loans made or guaranteed by the Administrator of RUS will be made in conformance with the Rural Electrification Act of 1936 (RE Act), as amended (7 U.S.C. 901 *et seq.*), and 7 CFR chapter XVII. RUS provides borrowers specialized and technical accounting, engineering, and other managerial assistance in the construction and operation of their facilities when necessary to aid the development of rural telephone service and to protect loan security.

(b) RUS will not make hardship loans, RUS cost-of-money loans, or RTB loans for any purposes that, in RUS's opinion, are inconsistent with the borrower achieving the requirements stated in the State's telecommunications modernization plan within the time frame stated in the plan (see 7 CFR part 1751, subpart B), unless RUS has determined that achieving the requirements as stated in such plan is not technically or economically feasible.

(c) RUS will not deny or reduce a loan or an advance of loan funds based on a borrower's level of general funds.

(d) No fees or charges are assessed for any type of loan or guarantee provided by RUS or the Rural Telephone Bank (RTB).

(e) The Administrator may use consultants funded by the borrower for financial, legal, engineering, and other technical advice in connection with the review of a borrower's loan application.

[58 FR 66253, Dec. 20, 1993, as amended at 59 FR 17464, Apr. 13, 1994]

#### **§ 1735.11 Area coverage.**

Borrowers must make adequate telephone service available to the widest practical number of rural subscribers during the life of the loan. Both the nature of the service area and the cost per subscriber must be fully considered. The borrower must seek to provide service to all interested potential subscribers in the service area. Borrowers are not required to extend service in situations where the costs would be exorbitant. The loan contract shall contain appropriate provisions to effect this requirement. See 7 CFR 1737.11(a), Preapplication Determinations: Area to be Served.

#### **§ 1735.12 Nonduplication.**

(a) In states having a state regulatory body with authority to regulate telephone service and to require certificates of convenience and necessity, the borrower must obtain such a certificate before RUS will make a loan. Facilities or services not specifically covered by such certificate will be subject to the provisions of § 1735.12(b).

(b) In states where there is no such regulatory body, a loan will not be made unless the Administrator determines that no duplication of lines, facilities, or systems already providing reasonably adequate services shall result from such a loan.

(c) RUS shall consider the following criteria in determining whether service is reasonably adequate:

(1) Availability of telephone service to commercial establishments, professional offices, essential community services, and residences in the community.

(2) Reasonable audibility and clarity of sound transmission and reception.

(3) Absence of frequent interruptions.

(4) Adequacy of line circuits and central office facilities to permit reasonably frequent subscriber use without unreasonable delay.

(5) Availability of connections with other exchanges and with the interchange facilities of the Nation.

(6) Any other criteria the Administrator determines to be applicable to the particular case.

#### **§ 1735.13 Location of facilities and service for nonrural subscribers.**

(a) When it is determined by the Administrator to be necessary in order to furnish or improve telephone service in rural areas, loans may be made for the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems without regard to their geographical location.

(b) To the greatest extent practical, loans are limited to providing telephone facilities that serve subscribers in rural areas. In order to furnish and improve service to rural subscribers it may at times be necessary to provide loan funds to finance telephone facilities which (1) will also serve nonrural subscribers, or (2) are located in nonrural areas. Loans may be approved to finance such facilities if the Administrator determines, on a case-by-case basis, that (i) the primary purpose of the loan is to provide service to rural areas and (ii) the financing of facilities for nonrural subscribers is necessary and incidental to furnishing or improving telephone service in rural areas.

(c) Loan funds may be approved for facilities to serve nonrural subscribers only if (1) the principal purpose of the loan is to furnish and improve rural service and (2) the use of loan funds to serve nonrural subscribers is necessary and incidental to the principal purpose of the loan. The following are examples of purposes for which such loans may be made (such loans are not limited to these examples):

(1) In the case of construction of a new system, if the loan would not be economically feasible and self-liquidating unless the nonrural as well as the rural portions of the telephone